

# Senator Tom Udall & Senator Elizabeth Warren

## CFPB Student Loan Integrity & Transparency Act of 2019

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**Background:** The CFPB Student Loan Ombudsman was statutorily created as a result of the Dodd-Frank Act. It was designed to better protect student loan consumers from predatory lenders and unfair practices. Section 1035 of Dodd-Frank formally established the position and expands on the functions and scope of the Student Loan Education Ombudsman.

Specifically, the Ombudsman is tasked with providing assistance to borrowers of student loans by: 1) Receiving, reviewing, and attempting to resolve informally complaints from borrowers of loans, 2) Creating a Memorandum of Understanding (MOU) with the Department of Education Student Loan

Ombudsman to facilitate cooperation in addressing student loan complaints, 3) Compiling and analyzing data regarding borrower complaints, and 4) Submitting annual student loan reports to relevant House and Senate Committees.

However, the CFPB Ombudsman's independence has been threatened. The former Acting Director of the CFPB, Mick Mulvaney, reorganized a number of offices and divisions within the Bureau. The Ombudsman, which was formerly part of the Office of Students and Young Consumers (OSYC), was folded into the Office of Financial Education (OFE). The Ombudsman's staff were reassigned to other offices, making it difficult for the Ombudsman to initiate investigations and utilize its enforcement powers. Although this reshuffling does not fully preclude the Ombudsman or CFPB from bringing enforcement actions against student loan lenders and servicers, it greatly reduces the ability of the Ombudsman to do so. Following this action, Seth Frotman, the CFPB's Student Loan Ombudsman, resigned from the Bureau on August 27, 2018. Frotman, in a scathing resignation letter, alleged that CFPB was undermining career staff's efforts to assist loan borrowers.

### The CFPB Student Loan Integrity & Transparency Act:

1. **Section 1 – Findings:** Highlights the original intent of the Ombudsman's function and its importance in holding lenders and providers accountable for their conduct and interactions with student borrowers.
2. **Section 2 – Dept. Of Ed. Student Loan Information:** Amends the HEA to require that the Department of Education Student Loan Ombudsman provide information directly to the CFPB Student Loan Ombudsmen or CFPB Director when requested.
3. **Section 3 – Student Loan Servicer Agreements:** Amends the HEA so that the Department of Education is prohibited from entering into a student loan service agreement with an entity unless the entity agrees to directly provide student loan information to the CFPB Student Loan Ombudsman or CFPB Director when requested to guarantee transparency.
4. **Section 4 – Duty to Provide Adequate Staffing; Memoranda of Understanding:** Amends the Consumer Financial Protection Act to direct the CFPB Director to provide adequate staffing levels so that each office described within the act, such as the CFPB Student Loan Ombudsman, is able to carry out the functions and duties of that office. Additionally, the Memoranda of Understanding that was previously in effect with the Department of Education will be reestablished.